

Before the
Federal Communications Commission
Washington, D. C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Simplification of the Depreciation) CC Docket No. 92-296
Prescription Process)

COMMENTS OF THE SPRINT LECs

The United and Central Telephone companies (the "Sprint LECs") respectfully submit their comments concerning Simplification of the Depreciation Prescription Process.¹

In the Further Order, the Commission seeks comments on proposals for setting depreciation ranges for 12 additional plant categories. With existing planned recovery for "dying accounts" and the proposal of ranges for eight of the additional twelve plant categories, the Sprint LECs believe the Commission has proposed a plan, which if adopted on an expedited basis, will provide a comprehensive and simplified procedure for LECs to use in 1995 and beyond. Issuing an order this year will allow the LECs to move forward, use these ranges in 1995 and avoid the unnecessary, time-consuming and expensive existing process which requires up to 25 pages of analysis for each of the 34 plant accounts. The Sprint LECs encourage the Commission to adopt these changes quickly in order to implement Simplification of the Depreciation Prescription Process for use in 1995.

The Sprint LECs believe that the Commission has made real depreciation reform progress with the recommendation of these ranges for the identified accounts and that they repre-

¹Simplification of the Depreciation Prescription Process, Second Report and Order, 8 FCCR 8025 (1994) (the "Further Order").

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sent a constructive step forward for the regulatory process and the companies that are regulated. However, the Commission needs to further consider the problem and modify the ranges that do not fully recognize realistic technology trends and changes.

Given that progress has been made, the Sprint LECs urge the Commission to note that the ranges proposed for the Order are based on an average of current factors only and do not recognize that dominant carriers like AT&T book depreciation costs above 11%. The Sprint LECs assert, as was pointed out by USTA through Technology Futures, Inc. in its original comments,² that significant progress still needs to be made in recognizing realistic depreciation lives.

The Sprint LECs recommend that the Commission adopt a process making depreciation the responsibility of the Price Cap Carriers and that the presumed lawful ranges be in line with those proposed by Technology Futures.³ The Sprint LECs believe that if the ranges aren't moved more in the Technology Futures' direction, most companies will use the bottom of the proposed ranges for technology accounts because the ranges encompass depreciation time-frames that are unrealistically long. The Sprint LECs recommend that the Commission adopt the ranges as proposed, but if the Commission believes it needs more information before adopting the Technology Futures' proposal it should adopt its proposed rates and instruct the Staff to immediately investigate the ranges for all Copper, Digital Switching and Circuit accounts and make further proposals aimed at adopting more realistic depreciation lives.

²See Comments of the United States Telephone Association, Attachment 2, "Telecommunications Equipment Depreciation--Looking to the Future." Lawrence K. Vanston, Ph.D., Technologies Futures, Inc., December 17, 1993 in CC Docket No. 92-296.

³Id. at 24.

Price Cap companies should then use lives within these ranges for depreciation purposes. With the requirement to use the ranges in place, it would then be the LECs' responsibility to adopt proper depreciation. The need for even this level of depreciation regulation will disappear when Price Regulation is adopted as a total replacement for Rate of Return monitoring. The Sprint LECs believe that the market will require appropriate continued investment to bring the services that customers demand. Thus, no continued depreciation monitoring will be required under a pure Price Caps system where sharing is absent. This will all be accomplished without harming the incentives for LECs to meet customer needs. As competition in the local exchange develops, LECs will be forced to compete for customers and the market will dictate investment and service offerings.

As the Commission has pointed out, the savings of time and expense is best accomplished by allowing Price Cap companies to immediately adopt the ranges without doing a time-consuming and expensive depreciation study. Because the final depreciation ranges will be deemed reasonable by the Commission, nothing is accomplished by requiring companies outside the range to do studies prior to moving within the ranges. The Price Cap companies using the ranges should file Statements A and B with the Staff.

Finally, the Sprint LECs recommend that Price Cap Carriers and regulators move forward with this process on an expedited basis and in a manner that affords timely recovery of invested capital. In order to provide appropriate depreciation simplification, the Commission should adopt the Technology Futures proposed ranges.

Respectfully submitted,

SPRINT CORPORATION

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November 14, 1994

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 14th day of November, 1994, sent via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of the Sprint LECs" in the Matter of Simplification of the Depreciation Prescription Process, CC Docket No. 92-296 filed this date with the Acting Secretary, Federal Communications Commission, to the persons on the attached service list.


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